

# U.S. TRADE *IN PERSPECTIVE*

U.S. Department of Commerce, International Trade Administration, Trade Development

May 1999

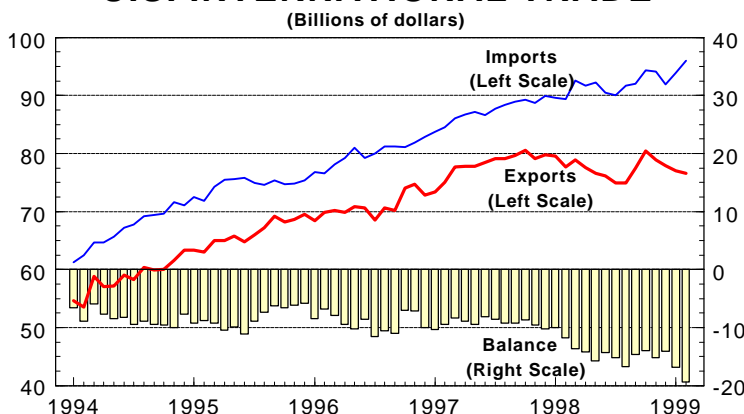
## February's Trade Deficit Sets Another Record

**Key Developments:** *In February, the U.S. goods and services trade deficit widened again, setting another record for a monthly trade deficit. February exports declined as imports rose. The greatest regional deterioration in the trade balance arose from trade with the Western Hemisphere. To date, the trade deficit with the Western Hemisphere was \$43 billion (annual rate) compared to \$14 billion during the same period last year.*

Although the trade balance reached a record low, the ratio of the trade balance to the rest of the United States economy (in terms of gross domestic product) is still less than it was in the mid-1980s.

The price of crude oil rose slightly last month to \$9.46 a barrel, but prices remain close to historic lows. Prices for U.S. agricultural exports have increased slightly in recent months but are still at low levels.

### U.S. INTERNATIONAL TRADE



**1998–99 Trends:** U.S. exports of goods and services fell for the fourth consecutive month in February. Exports fell or were stagnant during most of 1998 with the exception of two months, September and October, when aircraft deliveries and grain exports boosted total export figures. Exports of goods and services through February were 2 percent lower than levels in the first two months of last year, while imports rose 6 percent over the same period. The sharp uptick in U.S. imports in February combined with a slight decrease in U.S. exports widened the U.S. trade deficit to \$19.4 billion, surpassing the previous month as the record for the largest monthly deficit.

- February exports were \$76.6 billion, a half a billion dollars less than January's revised figure. Imports rose \$2.6 billion to \$96.0 billion.
- The trade deficit for January–February 1999 worsened to an annual rate of \$218 billion, compared with \$131 billion in January–February 1998. (For all of 1998, the trade deficit was \$169 billion, averaging \$14.1 billion per month.)

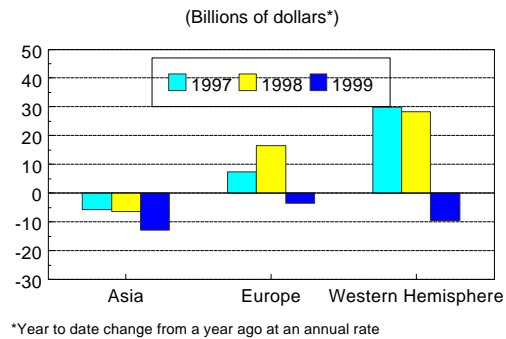


## Regional View: Trade Deficit with Every Major Region Worsens

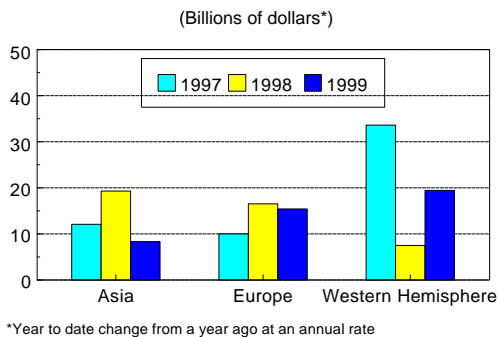
*The rise in the merchandise trade deficit in 1999 is primarily a result of the deterioration in the U.S. trade balance with the Western Hemisphere. Weakening economic growth in the Western Hemisphere has impeded U.S. exports. Slumping exports coupled with rising imports this year have caused a sharp deterioration in the trade deficit with the region. One bright spot in U.S. trade has been the economic recovery in South Korea and subsequent rise in U.S. exports. Exports to South Korea have helped offset a worsening trade balance with China and Japan.*

Through February of this year, exports to the Western Hemisphere declined 3 percent from the same period a year ago. Exports to Asia declined 7 percent, while exports to Europe decreased 2 percent.

### Dollar Change in Exports by Region



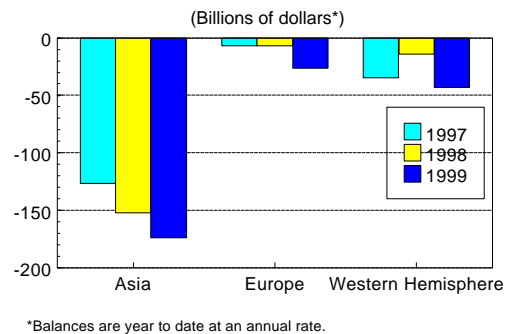
### Dollar Change in Imports by Region



Through February, imports from Asia grew 2 percent from the same period a year ago. Imports from Europe grew 9 percent compared to 11 percent growth a year ago from the previous year. Imports from the Western Hemisphere are picking up, despite low oil prices. January– February imports from the Western Hemisphere rose 7 percent from levels a year ago, compared to 3 percent growth a year earlier.

Through the second month of 1999, the trade deficit with each major region worsened, led by the trade deficit with the Western Hemisphere. At an annual rate, the U.S. deficit with the Western Hemisphere totaled \$43.2 billion through February of this year compared with \$14.1 billion a year ago. Although the U.S. trade deficit with Asia improved in February from January's level, in the first two months of this year the deficit grew to \$174 billion (annual rate) compared to \$152 billion a year ago. The U.S. trade deficit with Europe expanded to \$26.3 billion from \$7.2 billion this time last year.

### Trade Balance by Region

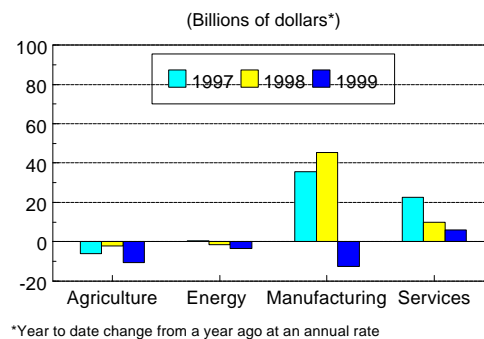


## Sectoral View: Manufactured Goods Exports Decline, Services Exports Rebound

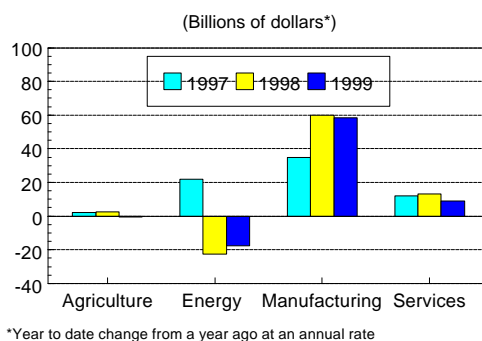
*In February, U.S. merchandise exports fell, while services exports grew. The U.S. services surplus in February was at its highest monthly level since May of last year. A slump in aircraft exports was the primary cause of February's decline in total exports; exports of autos and consumer goods picked up moderately. Compared to January–February a year ago, capital and consumer goods exports experienced some positive growth, while exports of industrial supplies, autos, and foods and feeds declined from levels a year ago.*

Through February, exports of manufactured goods declined 2 percent from a year ago, while services exports grew 2 percent. Exports of industrial supplies fell 14 percent from a year ago. In the first two months of the year, capital goods exports rose 1 percent, while exports of consumer goods have risen 2 percent from a year ago. World agricultural commodity prices remain at low levels, reducing the value of U.S. agricultural exports through February by 18 percent from a year ago.

**Dollar Change in Exports by Sector**



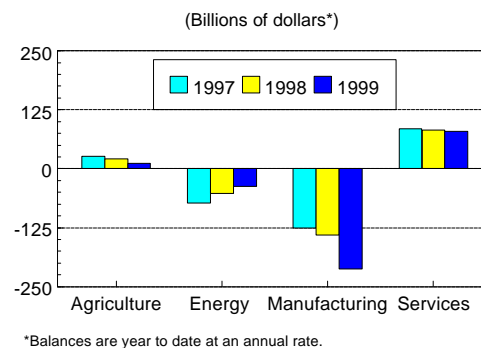
**Dollar Change in Imports by Sector**



The low price of crude oil has drastically reduced the value of U.S. energy imports. Imports of energy products through the second month of this year are 28 percent lower than a year ago. Imports of manufactured goods through February rose 6 percent from a year ago, while services imports increased 5 percent.

From a sectoral point of view, most of the deterioration in the U.S. trade deficit stems from trade in manufactured goods. Through February, the manufacturing deficit rose to \$212 billion (annual rate) from \$141 billion a year ago. In the first two months of 1999, the surplus in agriculture deteriorated to \$11.4 billion from \$21.5 billion a year ago. The surplus in services improved in February from January's level, but worsened in the first two months of 1999 compared to the same period in 1998. Through February the services surplus was \$79.0 billion compared to \$82.0 billion a year ago. However, in energy products, the U.S. deficit improved to \$38.1 billion from \$52.0 billion during the same period a year ago.

**Trade Balance by Sector**



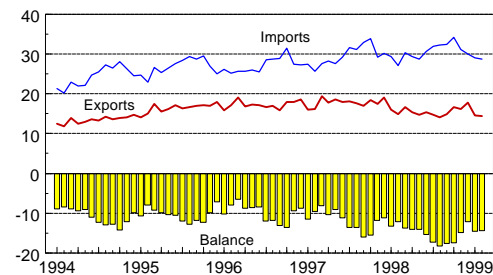
## ***The Asia Factor: U.S. Exports Down and Imports Up in Early 1999***

*The U.S. trade deficit with Asia widened in the first two months of 1999 compared to the same period a year ago. Year to date, the U.S. trade deficit with China was \$57.0 billion (annual rate), only slightly smaller than our \$57.9 billion trade deficit with Japan.*

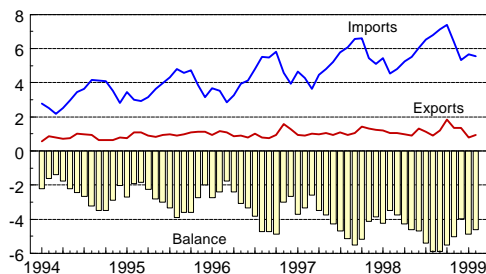
U.S. exports to Asia in January–February were only half as large as U.S. imports from the region, resulting in a merchandise trade deficit of \$174 billion (annual rate). A year ago, the trade deficit was \$152 billion.

In the first two months of 1999, exports were down 7 percent, while imports rose 2 percent from a year ago.

**U.S. Merchandise Trade with Asia**  
(Billions of dollars)



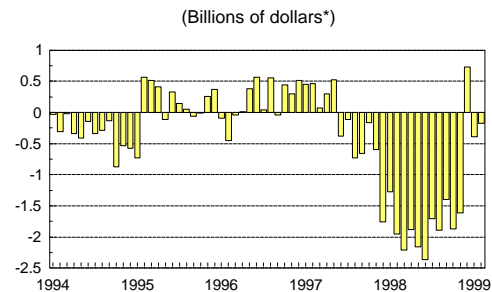
**U.S. Merchandise Trade with China**  
(Billions of dollars)



The U.S. trade deficit with China continues to deteriorate, despite strong economic growth in China. The U.S. merchandise trade deficit with China in the first two months of 1999 was almost equal to the deficit with Japan, and imports of consumer goods for the Christmas season have not yet begun to arrive.

In January–February, U.S. exports to the Asian Five (Indonesia, Malaysia, the Philippines, South Korea, and Thailand) were down 1 percent, while imports increased 4 percent from a year ago. The trade deficit thus far this year was \$35.8 billion (annual rate) compared with \$32.4 billion in the same period last year.

**Dollar Change in the U.S. Trade Balance with the Asian Five**  
(Billions of dollars\*)



\*Change from a year ago